

Elizabeth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602

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PUBLIC SERVICE
COMMISSION

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December 10, 2007

Re: MISO Withdrawal Fee

Dear Ms. O'Donnell:

As noted in Louisville Gas and Electric Company's and Kentucky Utilities Company's letter of December 21, 2006 in Case No. 2003-00266, the Companies agreed to keep the Commission apprised of the status and outcome of the dispute concerning MISO's calculation of the withdrawal fee. Enclosed please find a copy of the filing for approval by FERC of the Withdrawal Fee Recalculation Agreement.

Should you have any questions concerning the enclosed, please do not hesitate to contact me.

Sincerely,

Allyson K. Sturgeon

AKS/kmw
Enclosures
cc: Parties of Record



Lori A. Spence
Deputy General Counsel
Direct Dial: 317-249-5442
E-mail: lspence@midwestiso.org

November 21, 2007

Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20246

**Re: Midwest Independent Transmission System Operator, Inc.
Filing of Withdrawal Fee Recalculation Agreement and
Revisions to Schedules 10, 10-C, 17 and 17-A of the Open Access Transmission
and Energy Markets Tariff
Docket Nos. ER08-____-000 and ER06-1308-002, -003**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, Part 35 of the Federal Energy Regulatory Commission's ("Commission") regulations, 18 C.F.R. §§ 35 *et seq.*, and the Commission's Order Conditionally Accepting Compliance Filing and Denying Rehearing dated February 28, 2007,¹ the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") hereby tenders for filing six copies of its Withdrawal Fee Recalculation Agreement ("Recalculation Agreement") with E.ON U.S. LLC ("E.ON") and proposed compliance revisions to Schedules 10, 10-C, 17, and 17-A of the Midwest ISO's Open Access Transmission and Energy Markets Tariff ("EMT" or "Tariff"), FERC Electric Tariff, Third Revised Volume No. 1.

The Recalculation Agreement and proposed Tariff revisions resolve all issues between the Midwest ISO and E.ON that are identifiable and quantifiable at this time with respect to fees for certain Tariff services that apply to E.ON's public utility operating company subsidiaries, Louisville Gas and Electric Company and Kentucky Utilities Company (collectively "LGE/KU") as a consequence of their withdrawal from the Midwest ISO.

¹ *E.ON U.S., LLC and Midwest Independent Transmission System Operator, Inc.*, 118 FERC ¶ 61,158 (2007) ("February 28 Order").

I. BACKGROUND

On October 7, 2005, as amended on January 10, 2006, LG&E Energy LLC (now E.ON), on behalf of LGE/KU, submitted a proposal to withdraw LGE/KU's transmission facilities from the transmission system operated by the Midwest ISO. In an order dated March 17, 2006, the Commission conditionally accepted the LGE/KU proposal.² The Commission also accepted a proposed methodology to determine the exit fee that LGE/KU would have to pay to the Midwest ISO, and required E.ON to submit the final calculation of that fee in a compliance filing within 30 business days after the effective date of withdrawal from the Midwest ISO.

On July 31, 2006, as amended on August 8, 2006, the Midwest ISO submitted for filing with the Commission proposed Schedules 10-C, 16-A, and 17-A to the EMT. The proposed schedules outlined the fees for certain Tariff services that apply to LGE/KU as a consequence of their withdrawal from the Midwest ISO. On October 6, 2006, the Commission conditionally accepted the proposed schedules for filing, subject to: (1) the Midwest ISO's filing revised schedules with a change to the formulas in the schedules to include monthly values; and (2) the outcome of LGE/KU's compliance filing containing the final exit fee.³ Effective September 1, 2006, LGE/KU withdrew from the Midwest ISO.

On October 12, 2006, as amended on October 25, 2006, E.ON made a compliance filing with the final exit fee, which was provided to E.ON by the Midwest ISO. In its transmittal letter, E.ON noted that it would forward the exit fee payment to the Midwest ISO "subject to the right to contest any issues that may be identified after a thorough review of the calculations and back-up data."⁴ E.ON's compliance filing was accepted by a letter order dated November 16, 2006.⁵

On November 6, 2006, as amended on November 14, 2006 and on November 21, 2006, the Midwest ISO submitted a compliance filing, in response to the October 2006 Order, modifying the formulas used in EMT Schedules 10-C, 16-A, and 17-A to utilize all monthly values and to include the amount of credits (based on the final exit fee) to which LGE/KU are entitled under each schedule.

On December 11, 2006, E.ON provided a notice of dispute to the Midwest ISO pursuant to the unexecuted Withdrawal Agreement that was included in E.ON's amended withdrawal application. The notice of dispute indicated E.ON's disagreement with the Midwest ISO's calculation of E.ON's share of the Midwest ISO's financial obligations that was due as of the date of

² *Louisville Gas and Electric Co.*, 114 FERC ¶ 61,282, *order on reh'g*, 116 FERC ¶ 61,020 (2006).

³ *Midwest Independent Transmission System Operator, Inc.*, 117 FERC ¶ 61,023 (2006) ("October 2006 Order").

⁴ Transmittal Letter at 3, *Louisville Gas and Electric Co., et al.*, Docket No. ER06-20-007 (Oct. 12, 2006).

⁵ *E.ON U.S., LLC*, Docket No. ER06-20-007 (Nov. 16, 2006) (unpublished letter order) (November 2006 Letter Order).

E.ON's withdrawal from the Midwest ISO. Specifically, E.ON objected to the Midwest ISO's exclusion of certain billing determinants in computing E.ON's share of the financial obligations outstanding as the date of withdrawal. E.ON argued that by excluding those billing determinants, the Midwest ISO overstated the amount of the withdrawal obligation owed by E.ON.

On December 12, 2006, E.ON filed a request for rehearing and clarification of the November 2006 Letter Order. In its rehearing request, E.ON asked the Commission to acknowledge or accept the statement E.ON made in its compliance filing regarding its right to contest issues later identified with the exit fee calculation. E.ON also requested the Commission to reconsider its November 2006 Letter Order because the final exit fee changed after that order was issued.

In the February 28 Order, the Commission conditionally accepted the Midwest ISO's compliance filing and denied E.ON's request for rehearing and clarification. The Commission further stated:

The credits outlined in Schedules 10-C, 16-A, and 17-A are based on the exit fee, and the October 2006 Order accepted those schedules subject to the outcome of the final exit fee calculation. Accordingly, the credits necessarily must change if the exit fee changes. We note that E.ON has initiated a dispute pursuant to its rights under the dispute resolution procedures in the withdrawal agreement, which may ultimately lead to a change to the final exit fee. Therefore, we will require Midwest ISO to file any revisions to Schedules 10-C, 16-A and 17-A to the TEMT that are required if there is any subsequent change to the final exit fee, within 30 days of such change, or within 30 days of the date of this order, whichever is later.⁶

The instant filing complies with this Commission directive.

II. OVERVIEW OF FILING

A. Recalculation Agreement

Subject to Commission approval, the enclosed Recalculation Agreement resolves all issues regarding the Withdrawal Fee that are identifiable and quantifiable at this time.

The Recalculation Agreement contains the following principal provisions:

- Section I states that a two-pronged approach was used to analyze and remedy the initial calculation of E.ON's Withdrawal Fee obligation (the "Initial Withdrawal Fee Calculation"), which E.ON paid on October 13, 2006 (the "Payment Date"),

⁶ February 28 Order at P 14.

subject to its right to dispute such calculation. First, after discussions between the Parties, the Initial Withdrawal Fee Calculation was re-calculated (the “Recalculated Withdrawal Fee”) to include certain previously excluded transactions from the billing determinants. The Midwest ISO will refund to E.ON the difference between the Initial Withdrawal Fee Calculation and the Recalculated Withdrawal Fee, with interest, upon acceptance of the Recalculation Agreement by the Commission. Second, certain revenue sources during the twelve months preceding E.ON’s withdrawal were excluded from the Initial Withdrawal Fee Calculation given they were associated with entities that are not Transmission Owners and/or the volume of such transactions to be realized in the future is uncertain. The Recalculation Agreement provides that if revenue from these excluded sources is realized in the future, E.ON will receive credits, beginning with an effective date of September 1, 2006 (the “Withdrawal Date”) and continuing until the expiration of Schedule 10-C and Schedule 17-A of the EMT on August 31, 2014 (the “Post-Withdrawal Period”).

- Section II states that the Schedule 10 component of the Initial Withdrawal Fee Calculation erroneously excluded the megawatt hours (“MWh”) of certain manually-billed Network Integration Transmission Service (“NITS”) transactions and all Schedule 23 NITS.
- Section III states that certain revenue sources during the twelve months preceding E.ON’s withdrawal were deliberately excluded from the Initial Withdrawal Fee Calculation given they were associated with entities that are not Transmission Owners and/or the volume of such transactions to be realized in the future is uncertain. The excluded transactions in this category are: (a) all point-to-point (“PTP”) transactions subject to a Schedule 10 charge; and (b) all withdrawals, exports, imports, financial schedules and virtual transactions subject to a Schedule 17 charge.
- Section IV states that recalculation of the Initial Withdrawal Fee Calculation with respect to Schedule 10 resulted in a number of adjustments associated with the erroneous exclusion of certain NITS transactions and then proceeds to list those adjustments.
- Section V states that recalculation of the Initial Withdrawal Fee Calculation with respect to Schedule 17 resulted in a number of adjustments with respect to the exclusion of certain MWhs extracted from the transmission system and then proceeds to list those adjustments.

- Section VI lists a number of credits for certain future revenues received by the Midwest ISO that will be provided to E.ON and explains how those credits will be calculated.
- Section VII explains a mechanism for crediting E.ON for its share of the Deferred revenue balance associated with the Commonwealth Edison exit fees under Schedule 10-A of the EMT.
- Section VIII states that the Recalculation Agreement resolves, subject to Commission approval, all issues regarding the Withdrawal Fee that are identifiable and quantifiable at this time; and that, if future events occur or information arises that impact the allocation of costs comprising the Withdrawal Fee Calculation or otherwise impacting the E.ON share, the Midwest ISO and E.ON will negotiate in good faith to resolve those issues.

The attached Prepared Direct Testimony of the Midwest ISO's Chief Financial Officer, Michael P. Holstein ("Holstein Testimony"), further explains the Midwest ISO's initial calculation of E.ON's Withdrawal Obligation and how it was recalculated in the Recalculation Agreement. The Holstein Testimony explains, *inter alia*, that the estimated total amount to be credited to E.ON consists of three components: (1) a credit for billing units erroneously excluded in the amount of \$910,306;⁷ (2) the opportunity to receive a credit for actual revenue realized over time from excluded billing units estimated to be \$3,527,409 in nominal dollars over 8 years;⁸ and (3) a credit for a share of the amortization of the ComEd Withdrawal Obligation payment in the amount of \$1,984,482 (in nominal dollars over 8 years).⁹ The total amount to be credited to E.ON is, therefore, an estimated \$6,422,197 (in nominal dollars over 8 years), which is the sum of the three components above. The actual amount of credit associated with the second component will depend on the actual revenue to be realized over time from the excluded billing units.

B. Conforming Revisions to Schedules 10, 10-C, 17 and 17-A

In accordance with the February 28 Order, the Midwest ISO proposes the following revisions to Schedules 10, 10-C, 17 and 17-A of the EMT to implement the Recalculation Agreement:

- An annual true-up section has been added to Schedules 10-C and 17-A . The new sections reference the payment obligation created by acceptance of this settlement agreement by the Commission.

⁷ See Holstein Testimony, at 12-13 and Ex. MPH_5 and MPH_6.

⁸ See *id.*, at 10-12 and Ex. MPH_3.

⁹ See *id.*, at 14 and Ex. MPH_7.

- Schedules 10 and 17 were modified to clarify that any payments made to E.ON U.S. or its successor(s) in the form of annual true-up payments provided for in the new sections under Schedule 10-C and Schedule 17-A will be included as costs to be recovered in the computation of the rate for Schedule 10 and Schedule 17.

III. DOCUMENTS SUBMITTED IN THIS FILING

The following documents are being submitted together with this Transmittal Letter:

Tab A - Executed Withdrawal Fee Recalculation Agreement between the Midwest ISO and E.ON;

Tab B - Prepared Direct Testimony of Michael P. Holstein, including Exhibits MPH__1 through MPH__7;

Tab C – Redlined version of proposed revisions to Schedules 10, 10-C, 17 and 17-A of the EMT; and

Tab D - Clean version of proposed revisions to Schedules 10, 10-C, 17 and 17-A of the EMT.

IV. EFFECTIVE DATE

Pursuant to Section 205 of the FPA, 16 U.S.C. § 824d, the Midwest ISO respectfully requests that the proposed revisions become effective January 20, 2008, (*i.e.*, sixty (60) days after filing).

V. NOTICE AND SERVICE

Please place the following persons on the official service list in this proceeding:

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* Persons authorized to receive service

Honorable Kimberly D. Bose
November 21, 2007
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The Midwest ISO hereby respectfully requests waiver of the requirements set forth in 18 C.F.R. § 385.2010. The Midwest ISO has served a copy of this filing electronically, with attachments, upon all Tariff Customers under the Energy Markets Tariff, Midwest ISO Members, Member representatives of Transmission Owners and Non-Transmission Owners, the Midwest ISO Advisory Committee participants, as well as all state commissions in the region. In addition, the filing has been posted electronically on the Midwest ISO's website at www.midwestmarket.org under the heading "Filings to FERC" for other interested parties in this matter.

Good cause exists for granting this waiver due to the number of interested parties in this matter, the limited resources available to make service, and the financial burden to the Midwest ISO in copying and mailing copies of this filing. Many parties, in fact, prefer receiving their copy in electronic format or via the Midwest ISO's website. In addition, paper copies will be made available to any person upon request by contacting counsel of record for the Midwest ISO.

VI. CONCLUSION

For all of the foregoing reasons, the Midwest ISO respectfully requests that the Commission accept this filing, effective January 20, 2008. In addition, the Midwest ISO requests waiver of any additional regulations the Commission may deem applicable.

Respectfully submitted,

/s/ Lori A. Spence

Lori A. Spence
Deputy General Counsel

Attachments

cc: Jennifer Amerkhail, FERC
Susan J. Court, FERC
Patrick Clarey, FERC
Christopher Miller, FERC
John Rogers, FERC
Melissa Lord, FERC
Michael Donnini, FERC

TAB A



Martyn Gallus
Sr Vice President,
Energy Marketing

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October 18, 2007

Stephen K. Kozev
Vice President and General Counsel
Midwest ISO
701 City Center Drive
Carmel, Indiana 46032

Mr. Michael P. Holstein
Vice President and Chief Financial Officer
Midwest ISO
701 City Center Drive
Carmel, Indiana 46032

Re: Recalculation of the Withdrawal Fee

Dear Steve and Mike:

This letter, when signed by E.ON U.S. LLC ("E.ON"), on behalf of its operating companies Louisville Gas and Electric Company and Kentucky Utilities Company, and countersigned by the Midwest Independent Transmission System Operator, Inc. (the "Midwest ISO"), shall confirm E.ON's and the Midwest ISO's (together, the "Parties") mutual intention and understanding with respect to resolution of the discussions regarding calculation of the Withdrawal Fee paid upon E.ON's withdrawal from the Midwest ISO (the "Withdrawal"). Promptly upon execution of this letter agreement, Midwest ISO will seek approval of the Federal Energy Regulatory Commission ("FERC") under Section 205 of the Federal Power Act for a re-calculation of the Withdrawal Fee charged to E.ON based on the following terms:

- I. A two-pronged approach was used to analyze and remedy the initial calculation of E.ON's Withdrawal Fee obligation (the "Initial Withdrawal Fee Calculation"), which E.ON paid on October 13, 2006 (the "Payment Date"), subject to its right to dispute such calculation.
 - a. After discussions between the Parties, the Initial Withdrawal Fee Calculation was re-calculated (the "Recalculated Withdrawal Fee") to include certain previously excluded transactions from the billing determinants. As provided herein, the Midwest ISO shall refund to E.ON the difference between the Initial Withdrawal Fee Calculation and the Recalculated Withdrawal Fee, with interest, upon acceptance of this recalculation agreement by FERC.

- b. Certain revenue sources during the twelve months preceding E.ON's withdrawal were excluded from the Initial Withdrawal Fee Calculation given they were associated with entities that are not Transmission Owners and/or the volume of such transactions to be realized in the future is uncertain. The Parties hereby agree that if revenue from these excluded sources is realized in the future, E.ON will receive credits, beginning with an effective date of September 1, 2006 (the "Withdrawal Date") and continuing until the expiration of Schedule 10-C and Schedule 17-A of the Midwest ISO Open Access Transmission and Energy Markets Tariff on August 31, 2014 (the "Post-Withdrawal Period").

- II. Upon review, the Schedule 10 component of the Initial Withdrawal Fee Calculation erroneously excluded the megawatt hours ("MWh") of certain manually-billed Network Integration Transmission Service ("NITS") transactions and all Schedule 23 NITS.

- III. Upon review, certain revenue sources during the twelve months preceding E.ON's withdrawal were deliberately excluded from the Initial Withdrawal Fee Calculation given they were associated with entities that are not Transmission Owners and/or the volume of such transactions to be realized in the future is uncertain. The excluded transactions in this category are as follows:
 - a. All point-to-point ("PTP") transactions subject to a Schedule 10 charge;
 - b. All withdrawals, exports, imports, financial schedules and virtual transactions subject to a Schedule 17 charge.

- IV. Recalculation of the Initial Withdrawal Fee Calculation with respect to Schedule 10 resulted in the following adjustments associated with the erroneous exclusion of certain NITS transactions:
 - a. The recalculation of Schedule 10 results in a corrected E.ON share of 6.50%, based on an E.ON share of 53,957,880 MWh and a total of 830,551,663 MWh;
 - b. The Schedule 10 component of the Initial Withdrawal Fee Calculation will be adjusted and E.ON will, upon acceptance by FERC of this recalculation agreement, receive an immediate refund in the amount of \$740,083 plus interest, which amount will account for the exclusion of manually-billed NITS and Schedule 23 NITS from the Initial Withdrawal Fee Calculation; and
 - c. The interest will be calculated at the Midwest ISO's overnight bank rate, as adjusted from time to time, and accruing from the Payment Date through the date of payment of the refund.

- V. Recalculation of the Initial Withdrawal Fee Calculation with respect to Schedule 17 resulted in the following adjustments with respect to the exclusion of certain MWhs extracted from the transmission system:
- a. The recalculation of Schedule 17 results in a corrected E.ON share of 6.29%, based on an E.ON share of 78,182,305 MWh and a total of 1,243,559,305 MWh;
 - b. The Schedule 17 component of the Initial Withdrawal Fee Calculation will be adjusted and E.ON will, upon acceptance by FERC of this recalculation agreement, receive an immediate refund in the amount of \$117,828 plus interest, which will account for exclusion of withdrawals from the billing determinants; and
 - c. The interest will be calculated at the Midwest ISO's overnight bank rate, as adjusted from time to time, and accruing from the date of payment of the Initial Withdrawal Fee to the date of payment of the refund.
- VI. Credits for certain future revenues received by the Midwest ISO will be provided to E.ON as follows:
- a. Credits for certain Schedule 10 and Schedule 17 revenues will be provided periodically during the Post-Withdrawal Period as follows:
 1. The Midwest ISO will, upon acceptance by FERC of this recalculation agreement, provide E.ON an immediate credit for certain revenues received by the Midwest ISO during the period beginning on the Withdrawal Date and continuing through December 31, 2006;
 2. Subsequently, a credit will be provided to E.ON on an annual basis beginning with a credit made on or before January 31, 2008, and continuing each January 31 thereafter through January 31, 2015; and
 3. The credits will be based on certain revenues received by the Midwest ISO during the prior calendar year, beginning with revenues received during the 2007 calendar year and continuing with revenues received through August 31, 2014.
 - b. The credits will be based on that portion of revenue received from certain excluded transactions that contributes towards the payment of financial obligations such as principal and interest on the senior unsecured debt of the Midwest ISO outstanding as of the Withdrawal Date.
 1. The financial obligations as of the date of withdrawal that were allocated to Schedule 10 total \$272,940,982.
 2. The financial obligations as of the date of withdrawal that were allocated to Schedule 17 total \$208,258,127.

3. The financial obligations shall be amortized evenly over the period September 1, 2006 through August 31, 2014 for the purposes of determining the monthly credit owed. The annual credit shall be the sum of the monthly credits.
 4. A credit rate per MWh for Schedule 10 (“Schedule 10 Credit Rate”) and Schedule 17 (“Schedule 17 Credit Rate”) will be computed for each partial and full year during the period September 1, 2006 through August 31, 2014.
 5. The Schedule 10 Credit Rate shall be the Schedule 10 financial obligation allocated to each partial year or full year divided by all Schedule 10 and Schedule 23 MWhs realized during the partial year or full year. The Schedule 10 and Schedule 23 MWhs to be used for this calculation are the demand-based billing determinants.
 6. The Schedule 17 Credit Rate shall be the Schedule 17 financial obligation allocated to each partial year or full year divided by all Schedule 17 MWhs realized during the partial year or full year, including injections, withdrawals, exports, imports, financial schedules and virtual transactions.
- c. The annual Schedule 10 credits will be calculated by taking the difference between the E.ON share of Schedule 10 billing determinants described in Section III above (6.50%) less the E.ON share of Schedule 10 Point-to-Point MWh during the twelve month period immediately preceding the Withdrawal Date (0.027%), multiplied by the product of the actual Schedule 10 Point-to-Point MWhs realized by the Midwest ISO during the Post-Withdrawal Period and the Schedule 10 Credit Rate, plus interest.
- d. Schedule 17 credits will be calculated individually for each excluded source as follows:
1. The annual credit for Schedule 17 export revenues will be calculated by taking the difference between the E.ON share of Schedule 17 billing determinants described in Section IV above (6.29%) less the E.ON share of Schedule 17 export MWh during the twelve month period immediately preceding the Withdrawal Date (0.05%), multiplied by the product of the actual Schedule 17 export MWhs realized by the Midwest ISO during the Post-Withdrawal Period and the Schedule 17 Credit Rate, plus interest.
 2. The annual credit for Schedule 17 financial schedule revenues will be calculated by taking the difference between the E.ON share of Schedule 17 billing determinants as recalculated in Section IV (6.29%) less the E.ON

share of Schedule 17 financial schedule MWh during the twelve month period immediately preceding the Withdrawal Date (2.52%), multiplied by the product of the actual Schedule 17 financial schedule MWhs realized by the Midwest ISO during the Post-Withdrawal Period and the Schedule 17 Credit Rate, plus interest.

3. The annual credit for Schedule 17 import revenues will be calculated by taking the difference between the E.ON share of Schedule 17 billing determinants as recalculated in Section IV (6.29%) less the E.ON share of Schedule 17 import MWh during the twelve month period immediately preceding the Withdrawal Date (2.97%), multiplied by the actual Schedule 17 import MWhs realized by the Midwest ISO during the Post-Withdrawal Period and the Schedule 17 Credit Rate, plus interest.
 4. The annual credit for Schedule 17 virtual revenues will be calculated by taking the difference between the E.ON share of Schedule 17 billing determinants as recalculated in Section IV (6.29%) less the E.ON share of Schedule 17 virtual MWh during the twelve month period immediately preceding the Withdrawal Date (0.91%), multiplied by the actual Schedule 17 virtual MWhs realized by the Midwest ISO during the Post-Withdrawal Period and the Schedule 17 Credit rate, plus interest.
- e. Interest paid on the Schedule 10 and Schedule 17 credits will be calculated at the Midwest ISO's overnight bank rate, as adjusted from time to time, and will accrue from the Payment Date to the date of payment of the credit.

VII. Mechanism for crediting E.ON for its share of the Deferred Revenue balance associated with the Commonwealth Edison ("ComEd") exit fee under Schedule 10-A of the Midwest ISO Tariff.

- a. On February 28, 2007, in Docket No. ER07-384-000, FERC issued an Order Accepting Tariff Amendments which accepted the Midwest ISO's proposal to revise its tariff to reflect a change in the amortization period of the withdrawal obligations of ComEd and E.ON.
- b. As a result of the order, the Midwest ISO began amortizing ComEd's deferred revenue balance on a monthly basis beginning on February 28, 2007, and will continue with such monthly amortization through December 15, 2013, which is the last date on which credits are available to ComEd through Schedule 10-A of the Midwest ISO's tariff.
- c. The Midwest ISO will determine E.ON's share of the amortization amount by multiplying the total annual amortization amount by E.ON's allocation factor of 5.88%, which represents E.ON's share of all Schedule 10 billing determinants,

including point-to-point transactions that took place during the twelve-month period immediately preceding the Withdrawal Date.

- d. On or before February 28 of each year, beginning on February 28, 2007, or as soon thereafter as FERC approves this recalculation agreement, and continuing through February 28, 2014, the Midwest ISO will issue a credit memo to E.ON for E.ON's share of the amortization amount for the previous year (i.e., the year in which the amortization was incurred). Payment of the credit memo amount will be due within ten (10) business days thereafter.

VIII. The Parties acknowledge and agree this letter agreement resolves, subject to FERC approval, all recalculation issues regarding the Withdrawal Fee that are identifiable and quantifiable at this time. The Parties further agree that if future events occur or information arises that impact the allocation of costs comprising the Withdrawal Fee Calculation or otherwise impacting the E.ON share, they will negotiate in good faith to resolve those issues.

Sincerely,



Martyn Gallus
Sr. Vice President Energy Marketing

Agreed upon and accepted by the undersigned on the date adjacent to signature

The Midwest Independent Transmission System Operator, Inc.

By: Michael P. Hoban

Date: October 22, 2007

Its: Vice President &
Chief Financial Officer

cc: Elizabeth Cocanougher

TAB B

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Midwest Independent Transmission	)	Docket No. ER06-1308-002
System Operator, Inc.	)	ER06-1308-003
	)	ER07-____-000

**PREPARED DIRECT TESTIMONY OF
MICHAEL P. HOLSTEIN**

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Michael P. Holstein. My business address is 701 City Center Drive, Carmel, Indiana, 46032.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the Vice President and Chief Financial Officer of the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO"). I have held my current position since May 2001.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I am a graduate of the University of New Mexico with a B.S. degree in Civil Engineering and an M.B.A. degree with a finance concentration. Prior to joining the Midwest ISO I held the position of Vice President of Strategic Business Initiatives at IPALCO Enterprises, Inc., a holding company that owned Indianapolis Power & Light Company ("IPL"). IPL is an electric utility serving

over 400,000 retail customers in central Indiana. Prior to my employment at IPALCO Enterprises, Inc., I worked for Deloitte & Touche LLP in Atlanta, Georgia; EDS/Energy Management Associates, Inc. in Atlanta, Georgia; Houston Lighting & Power in Houston, Texas; and Public Service Company of New Mexico in Albuquerque, New Mexico. My entire professional career has involved employment by or consulting to electric utilities.

Q. PLEASE DESCRIBE YOUR JOB RESPONSIBILITIES WITH THE MIDWEST ISO AS THEY RELATE TO THIS FILING.

A. My primary responsibilities are for the functional areas of accounting, budgeting, treasury management, credit risk management, financial reporting and forecasting, procurement, internal audit and enterprise risk management.

Q. HAVE YOU SPONSORED ANY TESTIMONY BEFORE REGULATORY COMMISSIONS?

A. Yes. I have submitted testimony before the Federal Energy Regulatory Commission (“FERC” or “Commission”) on several occasions involving matters specific to the Midwest ISO.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to explain how the Withdrawal Obligation for E.ON U.S. LLC (“E.ON”) has been calculated in the Recalculation Agreement between the Midwest ISO and E.ON U.S. LLC (“E.ON”), dated October 22, 2007 (“Recalculation Agreement”), which is included with this filing. The

Recalculation Agreement resolves all issues between E.ON and the Midwest ISO regarding the Withdrawal Obligation that are identifiable and quantifiable at this time.

III. E.ON's WITHDRAWAL OBLIGATION

Q. PLEASE EXPLAIN THE NATURE OF THE DISPUTE INITIATED BY E.ON WITH REGARDS TO THE WITHDRAWAL OBLIGATION PAID TO THE MIDWEST ISO UPON THE WITHDRAWAL OF ITS LOUISVILLE GAS & ELECTRIC COMPANY ("LGE") AND KENTUCKY UTILITIES COMPANY ("KU") SUBSIDIARIES?

A. On December 11, 2006, E.ON provided a notice of dispute to the Midwest ISO pursuant to the unexecuted Withdrawal Agreement that was filed with the FERC on January 10, 2006, as an attachment to E.ON's amended withdrawal application in Docket Nos. ER06-20-001 and EC06-4-001. The notice of dispute indicated E.ON's disagreement with the Midwest ISO's calculation of E.ON's share of the Midwest ISO's financial obligations that was due as of the date E.ON's withdrawal from the Midwest ISO. The essence of the dispute is that the Midwest ISO excluded certain billing determinants in computing E.ON's share of the financial obligations outstanding as the date of withdrawal. E.ON claims that by excluding those billing determinants, the Midwest ISO overstated the amount of the Withdrawal Obligation owed.

Q. DID THE MIDWEST ISO EXCLUDE CERTAIN BILLING DETERMINANTS IN COMPUTING E.ON'S SHARE OF THE

FINANCIAL OBLIGATIONS OUTSTANDING AS THE DATE OF WITHDRAWAL?

A. Yes.

Q. WHY DID THE MIDWEST ISO EXCLUDE CERTAIN BILLING DETERMINANTS IN COMPUTING E.ON'S SHARE OF THE FINANCIAL OBLIGATIONS OUTSTANDING AS THE DATE OF WITHDRAWAL?

A. The billing determinants that were deliberately excluded were those associated with the following types of transactions:

- All point-to-point transmission reservations subject to Schedule 10 charges,
- All energy extractions from the Midwest ISO subject to Schedule 17 charges,
- All energy exports from the Midwest subject to Schedule 17 charges,
- All energy imports into the Midwest ISO subject to Schedule 17 charges,
- All financial schedules (FINSCHEDS") subject to Schedule 17 charges, and
- All virtual transactions in the energy market subject to Schedule 17 charges.

Q. WHY WERE THESE BILLING DETERMINANTS EXCLUDED FROM THE COMPUTATION OF E.ON'S SHARE OF THE FINANCIAL OBLIGATIONS OUTSTANDING AS THE DATE OF WITHDRAWAL?

A. The challenge faced by the Midwest ISO in determining E.ON's share of the financial obligations outstanding as of the date of withdrawal was determining how to compute that share given the following facts: (1) only Transmission-Owning members of the Midwest ISO have a contractual obligation to pay a share of the financial obligations upon withdrawal, and (2) the sum total of all billing

determinants includes transactions for Tariff Customers that are not transmission owners.

Q. WHAT IS THE SIGNIFICANCE OF THE FACT THAT CERTAIN TARIFF CUSTOMERS ARE NOT OBLIGATED TO PAY ANY PORTION OF THE FINANCIAL OBLIGATIONS OF THE MIDWEST ISO UPON THEIR WITHDRAWAL AS A TARIFF CUSTOMER?

A. The inclusion of billing determinants for Tariff Customers that are not obligated to pay any portion of the financial obligations of the Midwest ISO in computing E.ON's share could result in one of two outcomes: (1) less than full recovery of the financial obligations outstanding, or (2) a shift of financial obligations outstanding to the remaining Transmission-Owning members if they were to withdraw at a later date in time than E.ON. To illustrate, assume ninety-five percent (95%) of all billing determinants for transactions are associated with Transmission-Owning members and the remaining five percent (5%) of all billing determinants are associated with transactions of Tariff Customers that are not Transmission-Owning members. Now, assume all Transmission Owners simultaneously withdraw. Under this scenario, the allocation of the financial obligations of the Midwest ISO, if all billing determinants were used, would result in five percent (5%) being allocated to Tariff Customers with no contractual obligation to pay any portion of the financial obligations. As such, the Midwest ISO would not recover the full amount of the financial obligations outstanding. Therefore, the Midwest ISO elected to use only Network Integration Transmission Service billing units associated with Transmission Owners to

allocate Schedule 10-related financial obligations and energy injection billing units associated with Transmission Owners for Schedule 17-related financial obligations. This decision resulted in the exclusion of certain billing units in calculating E.ON's share of the financial obligations outstanding as of the time of withdrawal.

Q. WHY DID THE MIDWEST ISO EXCLUDE ENERGY EXTRACTIONS FROM THE COMPUTATION OF SCHEDULE 17-RELATED OBLIGATIONS?

A. Energy injections (*e.g.*, generation) for the most part equal energy extractions (*e.g.*, load) for vertically integrated Transmission-Owning members, such as E.ON's subsidiaries LGE and KU. As such, a decision was made to simplify the computation and use only energy injections.

Q. WHAT WAS E.ON'S SHARE OF THE FINANCIAL OBLIGATIONS OUTSTANDING AS OF THE DATE OF WITHDRAWAL AS COMPUTED BY THE MIDWEST ISO?

A. The total financial obligations outstanding as of August 31, 2006, were \$519,361,734. The total was allocated into Schedule 10-related obligations, Schedule 16-related obligations and Schedule 17-related obligations as shown in Exhibit MPH__1. E.ON's Schedule 10-related share of 6.77% was computed using only Network Integration Transmission Service transactions associated with entities that are contractually responsible for the financial obligations of the Midwest ISO. E.ON's Schedule 16-related share of 4.07% was computed using all Financial Transmission Rights ("FTRs") issued. E.ON's Schedule 17-related

share of 6.34% was computed using only energy injections associated with entities that are contractually responsible for the financial obligations of the Midwest ISO.

Q. WHAT WOULD E.ON'S SHARE OF SCHEDULE 17-RELATED FINANCIAL OBLIGATIONS HAVE BEEN IF THE MIDWEST ISO HAD INCLUDED ENERGY EXTRACTIONS IN THE COMPUTATION OF SCHEDULE 17-RELATED OBLIGATIONS?

A. As shown in Exhibit MPH__2, E.ON's share of Schedule 17-related financial obligations would have been 6.29% if both energy injections and energy extractions had been used.

Q. WERE THERE OTHER BILLING DETERMINANTS THAT WERE EXCLUDED IN COMPUTING E.ON'S SHARE OF THE FINANCIAL OBLIGATIONS OUTSTANDING AS THE DATE OF WITHDRAWAL?

A. Yes.

Q. PLEASE DESCRIBE THE NATURE OF THE OTHER BILLING DETERMINANTS THAT WERE EXCLUDED IN COMPUTING E.ON'S SHARE OF THE FINANCIAL OBLIGATIONS OUTSTANDING AS THE DATE OF WITHDRAWAL.

A. During the dispute resolution process, the Midwest ISO discovered that certain billing determinants were erroneously excluded. The billing determinants that were erroneously excluded were associated with the following types of transactions:

- Network Integration Transmission Service reservations that are manually billed by the Midwest ISO, and
- Network Integration Transmission Service reservations that are subject to Schedule 23 (Recovery of Schedule 10 and Schedule 17 Costs from Certain Grandfathered Agreements) charges.

Q. WHAT WOULD E.ON'S SHARE OF SCHEDULE 10-RELATED FINANCIAL OBLIGATIONS HAVE BEEN IF THE MIDWEST ISO HAD INCLUDED THE BILLING DETERMINANTS FOR THESE TWO TYPES OF TRANSACTIONS IN THE COMPUTATION OF SCHEDULE 10-RELATED OBLIGATIONS?

A. As shown in Exhibit MPH__2, E.ON's share of Schedule 10-related financial obligations would have been 6.50% if the billing determinants for these two types of transactions had been included in the computation of Schedule 10-related obligations.

Q. PLEASE DESCRIBE THE NATURE OF THE RECALCULATION AGREEMENT REACHED WITH E.ON WITH REGARDS TO THE DISPUTE OVER EXCLUSION OF CERTAIN BILLING DETERMINANTS IN CALCULATING E.ON'S SHARE OF THE MIDWEST ISO'S FINANCIAL OBLIGATIONS OUTSTANDING AS OF THE DATE OF WITHDRAWAL?

A. The essence of the Recalculation Agreement is two-fold. One, the Midwest ISO will, subject to FERC acceptance of the Recalculation Agreement and implementing Tariff revisions, issue a refund to E.ON to account for the

erroneous exclusion of certain billing determinants that should have been included in the original calculation of the Withdrawal Obligation. Two, subject to FERC acceptance of the Recalculation Agreement and implementing Tariff revisions, the Midwest ISO will provide E.ON with an annual credit for a share of the future revenue realized from the excluded transaction types to the extent such revenue contributes to payment of the financial obligations of the Midwest ISO that were outstanding as of the date of E.ON's withdrawal.

Q. PLEASE EXPLAIN WHAT YOU MEAN BY "...TO THE EXTENT SUCH REVENUE CONTRIBUTES TO PAYMENT OF THE FINANCIAL OBLIGATIONS OF THE MIDWEST ISO THAT WERE OUTSTANDING AS OF THE DATE OF E.ON'S WITHDRAWAL."

A. A portion of the Schedule 10 and Schedule 17 revenue to be realized in the future from the excluded transaction types will offset the Midwest ISO's operating expenses. The balance will offset the Midwest ISO's financial obligations, such as the principal and interest payments on its debt. Only the portion of the revenue to be realized that offsets the Midwest ISO's financial obligations will be used in computing an annual credit to be paid to E.ON.

Q. FOR PURPOSES OF THIS RECALCULATION AGREEMENT, WHAT ARE THE FINANCIAL OBLIGATIONS OVER TIME THAT WILL SERVE AS THE BASIS FOR COMPUTING THE CREDIT?

A. As shown in Exhibit MPH__1, the Schedule 10-related financial obligations on August 31, 2006 were \$272,940,982, and the Schedule 17-related financial obligations were \$208,258,127. The Midwest ISO and E.ON agreed to levelize

these financial obligations evenly over the ninety-six (96) month period amortization period in Schedule 10-C and Schedule 17-A for the purposes of this Recalculation Agreement.

Q. HOW WILL THE PROPOSED ANNUAL CREDIT FOR FUTURE REVENUE FROM EXCLUDED TRANSACTIONS BE COMPUTED?

A. The calculation of the annual credit associated with revenue derived in the future from the excluded transaction types is shown in Exhibit MPH__3. The first step in computing the credit is to determine the total billing determinants for all Schedule 10-related transactions and all Schedule 17-related transactions during the twelve-month period starting September 1, 2005 and ending August 31, 2006, the date of E.ON's withdrawal. The total of all transactions by type and E.ON's share by transaction type was previously identified in Exhibit MPH__2.

The second step is to compute a credit rate per MWh for Schedule 10 and Schedule 17. The numerator for the credit rate calculation is the sum of the monthly amounts of the Schedule 10 and Schedule 17 financial obligations in each year as shown in Exhibit MPH__3. To illustrate, the Schedule 10 financial obligation for 2007 is \$34,117,623 and the Schedule 17 financial obligation is \$26,032,266.

The denominator for the credit rate calculation will be the actual amount of Schedule 10 and Schedule 17 transactions for the months in each year. The billing determinants in Exhibit MPH__3 for 2006 are actual data for September 1 through December 31. The billing determinants for all other years in Exhibit MPH__3 are projections at this time and will be replaced with actual values over

time. Projected numbers are provided to illustrate the calculation and provide an estimate of the credit that could be realized.

Dividing the 2007 financial obligations by the projected total of all 2007 billing determinants yields a Schedule 10 credit rate of \$0.0388 per MWh and a Schedule 17 credit rate of \$0.0182 per MWh in this illustration.

The third step is to compute E.ON's percentage share of the Schedule 10 credit revenue and Schedule 17 credit revenue. That share is based on the difference between E.ON's share after correction for the mistakenly excluded billing determinants and its share of the excluded transactions during the upcoming year. To illustrate, E.ON's share of Schedule 10-related financial obligations after correction as shown in Exhibit MPH__2 is 6.50%. E.ON's share of the excluded Schedule 10 transactions, which in this case is Point-to-Point Transmission Service transactions, as shown in Exhibit MPH__2 is 0.03%. This difference between these two values is 6.47%.

The fourth step is to compute the Schedule 10 and Schedule 17 revenue realized from the excluded transactions. For the 2007 example in Exhibit MPH__3, the Schedule 10 revenue realized from projected point-to-point transmission service transactions is \$3,718,821.

The fifth step is to compute the amount of the credit. This is done by multiplying the adjusted share for E.ON of 6.47% by the projected Schedule 10 credit revenue of \$3,718,821. The resultant Schedule 10-related credit is a projected \$240,608. A similar calculation is done for each of the excluded

Schedule 17-related transaction types. The projected Schedule 17-related credit for 2007 is \$199,660. The combined credit for 2007 is a projected \$440,268.

The final step is to compute interest owed on the annual credit back to the date of withdrawal. For purposes of the Recalculation Agreement, the Midwest ISO and E.ON agreed to assume each year's credit was earned evenly over the months in the year. The interest rate to be applied will be the actual rate of interest earned by the Midwest ISO each month on its investment account balance.

Q. HAVE YOU APPLIED THE PROPOSED CREDIT FORMULAS TO A COMPUTATION OF THE CREDIT OWED FOR THE PERIOD SEPTEMBER 1, 2006 THROUGH DECEMBER 31, 2006?

A. Yes. The values in Exhibit MPH__3 for 2006 are actual billing determinants and actual revenue realized during the last four months of 2006. The amount of credit owed for Schedule 10-related financial obligations is \$80,706. The amount of credit owed for Schedule 17-related financial obligations is \$71,314. The total credit owed before interest is \$152,020. Exhibit MPH__4 presents the computation of the interest owed on the credit amount based on the assumption that the Recalculation Agreement is accepted December 1, 2007. The actual interest rate earned in October and November of 2007 will be substituted for the projected values in Exhibit MPH__4 when the final interest owed is computed.

Q. YOUR TESTIMONY THUS FAR HAS ADDRESSED THE FORMULAS TO BE USED TO COMPUTE THE FUTURE CREDIT ASSOCIATED WITH THE EXCLUDED BILLING DETERMINANTS. IS THERE A

SEPARATE COMPUTATION REQUIRED TO CORRECT FOR THE BILLING DETERMINANTS THAT WERE ERRONEOUSLY EXCLUDED IN COMPUTING E.ON'S SHARE OF THE SCHEDULE 10-RELATED FINANCIAL OBLIGATIONS?

- A. Yes. As shown in Exhibit MPH__2, E.ON's share of the Schedule 10-related financial obligations after correcting for the erroneously excluded billing determinants should have been 6.50% and not 6.77%. As shown in Exhibit MPH__5, the corrected Schedule 10-related financial obligation owed is \$17,731,970. Therefore, a credit of \$740,083 for the difference between what E.ON paid and what it should have paid is owed to E.ON. Interest owed on this credit balance will be computed as per the Recalculation Agreement as shown in Exhibit MPH__6.

Q. IS THERE ALSO A SEPARATE CREDIT OWED FOR SCHEDULE 17-RELATED FINANCIAL OBLIGATIONS?

- A. Yes. This credit is associated with the agreement to use both energy injections and energy extractions in computing E.ON's share of the Schedule 17-related financial obligations. The Schedule 17-financial obligation owed based on E.ON's 6.29% share of all energy injections and energy extractions during the period September 1, 2005 through August 31, 2006 is shown in Exhibit MPH__5. The difference between what E.ON paid and this revised value is \$117,828. Interest owed on this credit balance will be computed per the Recalculation Agreement as shown in Exhibit MPH__6.

Q. ARE THERE ANY OTHER ISSUES TO BE ADDRESSED AS PART OF THIS RECALCULATION AGREEMENT?

A. Yes. The remaining issue is the provision of an annual credit for E.ON's share of the amortization of the Withdrawal Obligation in Schedule 10-A. The amortization of the Withdrawal Obligation paid by Commonwealth Edison as provided for in Schedule 10-A acts to reduce the rate paid by all Tariff Customers. The Midwest ISO agreed to provide a share of the amortization amount to E.ON given the fact that E.ON's subsidiaries LGE and KU were founding members of the Midwest ISO. The formula for providing this credit is to multiply the amortization amount during each year by E.ON's share of all Schedule 10 billing determinants during the twelve months preceding its withdrawal, which is 5.88%. E.ON's share of the Schedule 10-A amortization amount each year is shown in Exhibit MPH__7. The amortization credit will be paid annually at the end of each year and interest will be paid on the amount owed but not paid during each month within a year.

Q. HOW WILL THE PROPOSED CREDITS UNDER THE RECALCULATION AGREEMENT BE REFLECTED IN THE SCHEDULE 10 AND SCHEDULE 17 RATES PAID BY OTHER TARIFF CUSTOMERS?

A. The proposed credits that are related to Schedule 10 financial obligations for which E.ON will receive a credit will be included as an expense to be recovered under Schedule 10 from all Tariff Customers. As noted in the redlined version of Schedule 10 submitted with this Recalculation Agreement filing, the variable

CREDIT_SCH10 in the rate formula in Section III.A of Schedule 10 will be net of any payments made once per year to E.ON.

The proposed credits that are related to Schedule 17 financial obligations for which E.ON will receive a credit will be included as an expense to be recovered under Schedule 17 from all Tariff Customers. As noted in the redlined version of Schedule 17 submitted with this Recalculation Agreement filing, the variable EMS-CREDIT in the rate formula in Section III of Schedule 17 will be net of any payments made once per year to E.ON.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

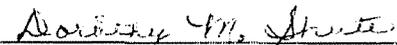
STATE OF INDIANA)
)
COUNTY OF HAMILTON) SS:

ATTESTATION

I, Michael P. Holstein, hereby certify that the foregoing Testimony was prepared by me or under my direction. I have reviewed the foregoing Testimony and it is true and correct to the best of my knowledge and belief.


Michal P. Holstein
Vice President and Chief Financial
Officer

SUBSCRIBED and SWORN to me, a NOTARY PUBLIC, this 20th day of November, 2007.

Signature: 
Name: Dorothy M. Shute
Notary Public, State of: Indiana
My County of Residence: Marion Hendricks
My Commission Expires: May 8, 2009

DOROTHY M. SHUTE
NOTARY PUBLIC State of Indiana
My County of Residence: Hendricks
My Commission Expires: May 8, 2009

Exit Fee Calculation

August 31, 2006 Balance Sheet

	Total	Allocations			Comments
		Schedule 10	Schedule 16	Schedule 17	
Accrued Liabilities					
Current portion	\$ 26,331,485	\$ 12,696,967	\$ 1,732,193	\$ 11,902,325	
Long-term portion	\$ 2,788,563	\$ 1,344,637	\$ 183,443	\$ 1,260,483	source = 2006 budget
Subtotal	\$ 29,120,048	\$ 14,041,604	\$ 1,915,636	\$ 13,162,807	source = 2006 budget
Capitalized Leases					
Current portion	\$ 3,376,612	\$ 1,755,838	\$ 135,064	\$ 1,485,709	48.2% 6.6% 45.2%
Long-term portion	\$ 15,489,122	\$ 8,054,343	\$ 619,565	\$ 6,815,214	48.2% 6.6% 45.2%
Subtotal	\$ 18,865,734	\$ 9,810,182	\$ 754,629	\$ 8,300,923	52.0% 4.0% 44.0%
Deferred Revenue					
Current portion	\$ 686,656	\$ 686,656	\$ -	\$ -	100.0% 0.0% 0.0%
Long-term portion	\$ 34,097,847	\$ 34,097,847	\$ -	\$ -	100.0% 0.0% 0.0%
Subtotal	\$ 34,784,503	\$ 34,784,503	\$ -	\$ -	100.0% 0.0% 0.0%
Notes Payable					
Current portion	\$ 34,389,168	\$ 3,683,942	\$ 4,920,592	\$ 25,784,634	10.7% 14.3% 75.0%
Long-term portion	\$ 372,154,075	\$ 173,525,521	\$ 32,284,267	\$ 166,344,287	46.6% 8.7% 44.7%
Subtotal	\$ 406,543,243	\$ 177,209,463	\$ 37,204,859	\$ 192,128,921	43.6% 9.2% 47.3%
Interest Expense					
Accrued Interest	\$ 5,878,754	\$ 2,741,106	\$ 509,980	\$ 2,627,667	46.6% 8.7% 44.7%
Remaining Interest	\$ 98,951,997	\$ 66,159,053	\$ 4,978,038	\$ 27,814,906	66.9% 5.0% 28.1%
Subtotal	\$ 104,830,751	\$ 68,900,159	\$ 5,488,018	\$ 30,442,573	49.5% 6.5% 44.0%
Operating Leases	\$ 13,383,187	\$ 6,625,920	\$ 867,980	\$ 5,889,287	49.5% 6.5% 44.0%
Total Liabilities	\$ 607,527,466	\$ 311,371,831	\$ 46,231,123	\$ 249,924,512	
Less: Cash	\$ 88,165,732	\$ 38,430,849	\$ 8,066,499	\$ 41,666,384	
Total Financial Obligation	\$ 519,361,734	\$ 272,940,982	\$ 38,162,625	\$ 208,258,127	

Billing Determinants - excludes non-TOs	Schedule 10	Schedule 16	Schedule 17
LGE/KU	53,957,880	30,940,199	40,350,498
Midwest ISO Transmission Owners - Total	797,275,596	760,071,428	636,086,349
Company Percentage	5.71%	4.07%	6.34%

LGE Total Exit Fee	Schedule 10	Schedule 16	Schedule 17
Net Exit Fee Obligation	\$ 33,236,510	\$ 1,553,485	\$ 13,210,972
	55.6%	4.7%	39.7%

- Notes:
- 1 Net Exit Fee Obligation does not reflect obligation to pay share of FERC Assessment Fee for FY 2007 based on 2006 MMNs of Transmission Service.
 - 2 Deferred Revenue liability related to ComEd Withdrawal Obligation offset by cash received that is reflected in the Cash balance.
 - 3 Accrued Interest liability offset by cash received that is included in the Cash balance.

Billing determinants for the 12 months ended August 31, 2006 :

Schedule 10 Billing Determinants :

	all	%	LGE	LGE %
10 NITS	797,275,596	86.84%	53,957,880	6.77%
Manual NITS	28,051,867	3.06%		0.00%
Sched 23 NITS	5,224,201	0.57%		0.00%
subtotal	830,551,664	90.46%	53,957,880	6.50% <== Corrected % Share
Point to Point	87,585,394	9.54%	24,049	0.03%
total sch 10	918,137,058	100.00%	53,981,929	5.88%

Difference 0.62%

Schedule 17 Billing Determinants :

		%	LGE	LGE %
Injections	636,086,348	39.72%	40,350,498	6.34%
Withdrawals	607,472,956	37.93%	37,831,807	6.23%
sub total	1,243,559,304	77.66%	78,182,305	6.29% <== Corrected % Share
Exports	29,618,757	1.85%	14,383	0.05%
FIN Scheds	128,389,098	8.02%	3,230,090	2.52%
Imports	56,216,358	3.51%	1,671,216	2.97%
Virtuals	143,569,470	8.97%	1,307,479	0.91%
sub total	357,793,683	22.34%	6,223,168	1.74%
Total Sched 17	1,601,352,987	100.00%	84,405,473	5.27%

Difference 1.02%

Credit Methodology per Settlement Agreement to Resolve E.ON Dispute of Withdrawal Obligation Amount

Total Financial Obligation	# months	Actual								
		2006	2007	2008	2009	2010	2011	2012	2013	2014
Schedule 10	\$ 272,940,982	4	\$ 113,372,541	\$ 34,117,623	\$ 34,117,623	\$ 34,117,623	\$ 34,117,623	\$ 34,117,623	\$ 34,117,623	\$ 22,745,082
Schedule 17	\$ 208,258,127		\$ 8,677,422	\$ 26,032,266	\$ 26,032,266	\$ 26,032,266	\$ 26,032,266	\$ 26,032,266	\$ 26,032,266	\$ 17,354,844

		2006	2007	2008	2009	2010	2011	2012	2013	2014
Schedule 10 Billing Determinants		240,813,368	772,367,984	803,571,651	819,643,084	836,035,945	852,756,664	869,811,798	887,208,034	887,208,034
NITS										
PTP		30,048,607	95,777,145	99,646,541	101,639,472	103,672,262	105,745,707	107,860,621	110,017,834	110,017,834
Sch 23		1,821,621	4,393,447	4,481,316	4,570,942	4,662,361	4,756,608	4,850,721	4,947,735	5,046,690
Manual		1,273,136	6,150,826	6,273,842	6,399,319	6,527,306	6,657,852	6,791,009	6,926,829	7,065,365
Total		273,956,732	878,689,402	896,263,190	914,188,454	932,472,223	951,121,667	970,144,100	989,546,982	1,009,337,922
Schedule 17 Billing Determinants		189,615,364	614,734,418	627,029,106	639,569,688	652,361,082	665,408,304	678,716,470	692,290,799	706,136,615
Injections										
Withdrawal		177,993,278	567,447,155	578,796,098	590,372,020	602,179,461	614,223,050	626,507,511	639,037,661	651,818,414
Exports		8,954,557	27,999,893	28,559,890	29,131,088	29,713,710	30,307,984	30,914,144	31,532,427	32,163,075
Imports		15,308,082	47,675,493	48,629,003	49,601,583	50,593,614	51,605,487	52,637,596	53,690,348	54,764,155
FIN		33,908,229	101,274,844	103,300,340	105,366,347	107,473,674	109,623,148	111,815,611	114,051,923	116,332,961
Virtuals		25,314,351	71,018,224	72,438,589	73,887,361	75,365,108	76,872,410	78,409,858	79,978,055	81,577,616
Total		451,093,861	1,430,150,026	1,458,753,027	1,487,928,087	1,517,686,649	1,548,040,382	1,579,001,190	1,610,581,214	1,642,792,838
Credit Rate per Billing Unit:										
Schedule 10		\$ 0.0415	\$ 0.0388	\$ 0.0381	\$ 0.0373	\$ 0.0366	\$ 0.0359	\$ 0.0352	\$ 0.0345	\$ 0.0225
Schedule 17		\$ 0.0192	\$ 0.0182	\$ 0.0178	\$ 0.0175	\$ 0.0172	\$ 0.0168	\$ 0.0165	\$ 0.0162	\$ 0.0106
LGE % for Corrected Withdrawal Calculation		6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.29%
Schedule 10 %		6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Schedule 17 %		6.29%	6.29%	6.29%	6.29%	6.29%	6.29%	6.29%	6.29%	6.29%

	152,020	440,268	440,268	440,268	440,268	440,268	440,268	440,268	440,268	440,268	293,512	3,527,409
Grand Total Credit												
Total Schedule 17 Credit	71,314	199,660	199,660	199,660	199,660	199,660	199,660	199,660	199,660	199,660	133,107	1,602,044
- Exports	10,749	31,803	31,803	31,803	31,803	31,803	31,803	31,803	31,803	31,803	21,202	254,573
- Exports - FIN SCHEDS	24,591	69,498	69,498	69,498	69,498	69,498	69,498	69,498	69,498	69,498	46,332	557,410
- Imports	9,776	28,811	28,811	28,811	28,811	28,811	28,811	28,811	28,811	28,811	19,208	230,664
- Imports - Virtuals	26,198	69,548	69,548	69,548	69,548	69,548	69,548	69,548	69,548	69,548	46,365	559,397
LGE Share of Credit Revenue	10,749	31,803	31,803	31,803	31,803	31,803	31,803	31,803	31,803	31,803	21,202	254,573
- Exports	172,253	509,667	509,667	509,667	509,667	509,667	509,667	509,667	509,667	509,667	339,778	4,079,702
- Exports - FIN SCHEDS	652,272	1,843,453	1,843,453	1,843,453	1,843,453	1,843,453	1,843,453	1,843,453	1,843,453	1,843,453	1,228,968	14,785,408
- Imports	294,472	867,812	867,812	867,812	867,812	867,812	867,812	867,812	867,812	867,812	578,541	6,947,696
- Imports - Virtuals	486,957	1,292,707	1,292,707	1,292,707	1,292,707	1,292,707	1,292,707	1,292,707	1,292,707	1,292,707	861,805	10,397,712
Sch 17 Credit Revenue	172,253	509,667	509,667	509,667	509,667	509,667	509,667	509,667	509,667	509,667	339,778	4,079,702
- Exports	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%
- Exports - FIN SCHEDS	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%
- Imports	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%
- Imports - Virtuals	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%
LGE % of Sch 17	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
- Exports	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%
- Exports - FIN SCHEDS	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%
- Imports	0.91%	0.91%	0.91%	0.91%	0.91%	0.91%	0.91%	0.91%	0.91%	0.91%	0.91%	0.91%
- Imports - Virtuals	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%	6.24%
Sch 10 credit	80,706	240,608	240,608	240,608	240,608	240,608	240,608	240,608	240,608	240,608	160,405	1,925,365
- PTP	80,706	240,608	240,608	240,608	240,608	240,608	240,608	240,608	240,608	240,608	160,405	1,925,365
LGE Share of Credit Revenue	1,247,383	3,718,821	3,718,821	3,718,821	3,718,821	3,718,821	3,718,821	3,718,821	3,718,821	3,718,821	2,479,214	29,758,343
- PTP	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%
Difference v. Withdrawal %	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%

INTEREST ON ANNUAL CREDIT OWED FOR 2006

<u>Month</u>	<u>Credit Owed</u>	<u>Interest Rate</u>	<u>Monthly Interest</u>	<u>End of Month Accum Balance</u>
10/13/06	38,005.00	5.2400%	105.10	38,110.10
Oct-06	38,005.00	5.2400%	166.41	76,281.51
Nov-06	38,005.00	5.2400%	333.10	114,619.61
Dec-06	38,005.00	5.2200%	498.60	153,123.21
Jan-07	-	5.2300%	667.36	153,790.57
Feb-07	-	5.2300%	670.27	154,460.84
Mar-07	-	5.2600%	677.05	155,137.89
Apr-07	-	5.2200%	674.85	155,812.74
May-07	-	5.2200%	677.79	156,490.53
Jun-07	-	5.2500%	684.65	157,175.18
Jul-07	-	5.2500%	687.64	157,862.82
Aug-07	-	5.2800%	694.60	158,557.42
Sep-07	-	5.1900%	685.76	159,243.18
Oct-07	-	5.1900%	688.73	159,931.91
Nov-07	-	5.1900%	691.71	160,623.62
Total Credit Owed	152,020.00		8,603.62	

*First credit earned on withdrawal obligation payment date 10/13/06; Remaining monthly credits earned on last day of month; Assume credit payment date December 1, 2007.

Original Withdrawal Obligation Filed with FERC in October 2006

	Total	Schedule 10	Schedule 16	Schedule 17
Total Financial Obligation	\$ 519,361,734	\$ 272,940,982	\$ 38,162,625	\$ 208,258,127

Billing Determinants	Schedule 10	Schedule 16	Schedule 17
LGE/KU	53,957,880	30,940,199	40,350,498
Midwest ISO Transmission Owners	797,275,596	760,071,428	636,086,349
Company Percentage	6.77%	4.07%	6.34%

	LGE Total Exit Fee	Schedule 10	Schedule 16	Schedule 17
Withdrawal Obligation	\$ 33,236,510	\$ 18,472,053	\$ 1,553,485	\$ 13,210,972

REVISED Withdrawal Obligation - Correct Certain Schedule 10 and Schedule 17 Billing Determinants

Billing Determinants - Corrected	Schedule 10	Schedule 16	Schedule 17
LGE/KU	53,957,880	30,940,199	78,182,305
Midwest ISO Transmission Owners	830,551,664	760,071,428	1,243,559,305
Company Percentage	6.50%	4.07%	6.29%

REVISED OBLIGATION	\$ 32,378,599	\$ 17,731,970	\$ 1,553,485	\$ 13,093,144
CREDIT OWED BEFORE INTEREST	\$ 857,911	\$ 740,083	\$ 0	\$ 117,828

INTEREST ON CREDIT OWED FOR ERROR CORRECTION

<u>Month</u>	<u>Withdrawal Obligation Adjustment</u>	<u>Rate</u>	<u>Monthly Interest</u>	<u>Accum Balance</u>
Oct-06	857,911.00	5.2400%	2,372.60	860,283.60
Nov-06	857,911.00	5.2400%	3,756.57	864,040.17
Dec-06	857,911.00	5.2200%	3,758.57	867,798.74
Jan-07	857,911.00	5.2300%	3,782.16	871,580.90
Feb-07	857,911.00	5.2300%	3,798.64	875,379.54
Mar-07	857,911.00	5.2600%	3,837.08	879,216.62
Apr-07	857,911.00	5.2200%	3,824.59	883,041.21
May-07	857,911.00	5.2200%	3,841.23	886,882.44
Jun-07	857,911.00	5.2500%	3,880.11	890,762.55
Jul-07	857,911.00	5.2500%	3,897.09	894,659.64
Aug-07	857,911.00	5.2800%	3,936.50	898,596.14
Sep-07	857,911.00	5.1900%	3,886.43	902,482.57
Oct-07	857,911.00	5.1900%	3,903.24	906,385.81
Nov-07	857,911.00	5.1900%	3,920.12	910,305.93
Total Credit Owed	857,911.00		52,394.93	

*Interest credited back to withdrawal obligation payment date 10/13/06;
Assumed credit payment date December 1, 2007.

Period	Schedule 10-A Amortization Amount	E.ON Share 5.88%
9/1/06 - 12/31/06	\$ -	\$ -
1/1/07 - 12/31/07	\$ 4,126,185.51	\$ 242,619.71
1/1/08 - 12/31/08	\$ 4,951,422.61	\$ 291,143.65
1/1/09 - 12/31/09	\$ 4,951,422.61	\$ 291,143.65
1/1/10 - 12/31/10	\$ 4,951,422.61	\$ 291,143.65
1/1/11 - 12/31/11	\$ 4,951,422.61	\$ 291,143.65
1/1/12 - 12/31/12	\$ 4,951,422.61	\$ 291,143.65
1/1/13 - 12/31/13	\$ 4,951,422.61	\$ 291,143.65

Note: (1) Only ten months amortization in 2007.

(2) Remaining balance on 2/28/07 was \$33,834,721

TAB C

Credit for Schedule 10-A and Schedule 10-C Withdrawal Obligations

In determining the costs to be recovered under Schedule 10 a monthly credit shall be applied to the total monthly costs to be recovered to reflect Schedule 10 Withdrawal Obligation payments received from Withdrawing Entities. The amount of the credit shall be based on the Schedule 10 Withdrawal Obligation defined in Schedule 10-A and Schedule 10-C of this tariff.

The effective date for the monthly credit associated with the Withdrawal Obligations under Schedule 10A and Schedule 10-C shall be March 1, 2007. The termination date for the Schedule 10-A credit shall be December 15, 2013. The termination date for the Schedule 10-C credit shall be August 31, 2014. The monthly amount of the Schedule 10-A credit shall be the unamortized balance of the Withdrawal Obligation under Schedule 10-A as of February 28, 2007 divided by the number of months remaining before Schedule 10-A expires. The monthly amount of the Schedule 10-C credit shall be the unamortized balance of the Withdrawal Obligation under Schedule 10-C as of February 28, 2007 divided by the number of months remaining before Schedule 10-C expires. The variable CREDIT SCH10 in the rate formula in Part III, Section A will be net of any payments made once per year to E.ON U.S. or its successor(s) as compensation for its share of the actual revenue derived from certain transactions excluded from the computation of the Withdrawal Obligation in Docket No. ER06-1308, et al. Such compensation is described more fully in the Recalculation Agreement as accepted by FERC in Docket Nos. ER06-1308 and ER08- -000.

Credit for Schedule 10-A, Schedule 10-B and Schedule 10-C Payments

In determining the costs to be recovered under Schedule 10 a monthly credit shall be applied to the total monthly costs to be recovered to reflect projected payments to be received by the Transmission Provider during the month under Schedule 10-A, Schedule 10-B and Schedule 10-C.

Issued by: T. Graham Edwards, Issuing Officer

Effective: ~~January 20, 2008~~ March 1, 2007

Issued on: ~~December 28, 2006~~ November 21, 2007

Filed to comply with the Commission's February 28, 2007 Order issued in Docket Nos. ER06-1308-002 and -003, E.ON U.S., LLC and Midwest Independent Transmission System Operator, Inc., 118 FERC ¶ 61,158 (2007).

IV. ANNUAL TRUE-UP PROVISION

Pursuant to the Recalculation Agreement as accepted by FERC in Docket Nos. ER06-1308 and ER08- -000, E.ON U.S. or its successor(s) shall be entitled to an annual payment for its share of revenue derived by the Transmission Provider from certain transactions subject to payment of Schedule 10 that were excluded from the computation of the Withdrawal Obligation in Docket No. ER06-1308, et al. In addition, pursuant to the same Recalculation Agreement, E.ON U.S. or its successor(s) shall also be entitled to an annual payment for its 5.88% share of the amortization of the Schedule10-A Withdrawal Obligation.

operational date of this Schedule 17. The formula set forth in Section III of this Schedule 17 shall be used to calculate the monthly charges.

C. Payments Applicable to Withdrawing Entities

In the event that an owner of transmission facilities withdraws its transmission facilities (“Withdrawing Entity”) from the operational control of the Transmission Provider, the Withdrawing Entity shall pay its share of all Schedule 17-related financial obligations incurred and payments applicable to time periods prior to the effective date of such withdrawal (the “Schedule 17 Withdrawal Obligation”) as required by Article Five, Section II(B) of the ISO Agreement. The Withdrawing Entity’s total responsibility for the Schedule 17 Withdrawal Obligation shall be based on the outcome of a negotiated or contested settlement accepted by the Commission.

D. Credit for Schedule 17 Withdrawal Obligations

In determining the costs to be recovered under Schedule 17 a monthly credit shall be applied to the total monthly costs to be recovered to reflect Schedule 17 Withdrawal Obligation payments received from Withdrawing Entities. The effective date for the monthly credit under this Schedule 17 Section II.D shall be March 1, 2007. The termination date shall be August 31, 2014. The monthly amount of the credit shall be the unamortized balance of the Withdrawal Obligation under Schedule 17-A as of February 28, 2007, divided by the number of months remaining before Schedule 17-A expires. The variable EMS-CREDIT in the rate formula in Part III will be net of any payments made once per year to E.ON U.S. or its successor(s) as compensation for its share of the actual revenue derived from certain transactions excluded from the computation of the Withdrawal Obligation in Docket No. ER06-1308, et al. Such compensation is described more fully in the Recalculation Agreement as accepted by FERC in Docket Nos. ER06-1308 and ER08- -000.

Issued by: T. Graham Edwards Issuing Officer
Issued on: ~~December 28, 2006~~ November 21, 2007

Effective: ~~January 20, 2008~~ March 1, 2007

Filed to comply with the Commission’s February 28, 2007 Order issued in Docket Nos. ER06-1308-002 and -003, E.ON U.S., LLC and Midwest Independent Transmission System Operator, Inc., 118 FERC ¶ 61,158 (2007).

In the event the rate calculation for a month results in a value less than zero, the rate shall be set to zero for that month.

IV. CHARGES FOR MARKET PARTICIPANTS

For each month, the charges to LGE/KU for the Service will be calculated by multiplying the LGE/KU Energy Market Support Administrative Service Cost Recovery Adder effective in that month, as determined under the above rate formula, by LGE/KU's billing units for that month, expressed in MWh, as discussed in Section II.A above.

V. ANNUAL TRUE-UP PROVISION

Pursuant to the Recalculation Agreement as accepted by FERC in Docket Nos. ER06-1308 and ER08- -000, E.ON U.S. or its successor(s) shall be entitled to an annual payment for its share of revenue derived by the Transmission Provider from certain transactions subject to payment of Schedule 17 that were excluded from the computation of the Withdrawal Obligation in Docket No. in Docket No. ER06-1308, et al.

TAB D

Credit for Schedule 10-A and Schedule 10-C Withdrawal Obligations

In determining the costs to be recovered under Schedule 10 a monthly credit shall be applied to the total monthly costs to be recovered to reflect Schedule 10 Withdrawal Obligation payments received from Withdrawing Entities. The amount of the credit shall be based on the Schedule 10 Withdrawal Obligation defined in Schedule 10-A and Schedule 10-C of this tariff.

The effective date for the monthly credit associated with the Withdrawal Obligations under Schedule 10A and Schedule 10-C shall be March 1, 2007. The termination date for the Schedule 10-A credit shall be December 15, 2013. The termination date for the Schedule 10-C credit shall be August 31, 2014. The monthly amount of the Schedule 10-A credit shall be the unamortized balance of the Withdrawal Obligation under Schedule 10-A as of February 28, 2007 divided by the number of months remaining before Schedule 10-A expires. The monthly amount of the Schedule 10-C credit shall be the unamortized balance of the Withdrawal Obligation under Schedule 10-C as of February 28, 2007 divided by the number of months remaining before Schedule 10-C expires. The variable CREDIT_SCH10 in the rate formula in Part III, Section A will be net of any payments made once per year to E.ON U.S. or its successor(s) as compensation for its share of the actual revenue derived from certain transactions excluded from the computation of the Withdrawal Obligation in Docket No. ER06-1308, *et al.* Such compensation is described more fully in the Recalculation Agreement as accepted by FERC in Docket Nos. ER06-1308 and ER08-___-000.

Credit for Schedule 10-A, Schedule 10-B and Schedule 10-C Payments

In determining the costs to be recovered under Schedule 10 a monthly credit shall be applied to the total monthly costs to be recovered to reflect projected payments to be received by the Transmission Provider during the month under Schedule 10-A, Schedule 10-B and Schedule 10-C.

Issued by: T. Graham Edwards, Issuing Officer
Issued on: November 21, 2007

Effective: January 20, 2008

Filed to comply with the Commission's February 28, 2007 Order issued in Docket Nos. ER06-1308-002 and -003, *E.ON U.S., LLC and Midwest Independent Transmission System Operator, Inc.*, 118 FERC ¶ 61,158 (2007).

IV. ANNUAL TRUE-UP PROVISION

Pursuant to the Recalculation Agreement as accepted by FERC in Docket Nos. ER06-1308 and ER08-__-000, E.ON U.S. or its successor(s) shall be entitled to an annual payment for its share of revenue derived by the Transmission Provider from certain transactions subject to payment of Schedule 10 that were excluded from the computation of the Withdrawal Obligation in Docket No. ER06-1308, *et al.* In addition, pursuant to the same Recalculation Agreement, E.ON U.S. or its successor(s) shall also be entitled to an annual payment for its 5.88% share of the amortization of the Schedule10-A Withdrawal Obligation.

operational date of this Schedule 17. The formula set forth in Section III of this Schedule 17 shall be used to calculate the monthly charges.

C. Payments Applicable to Withdrawing Entities

In the event that an owner of transmission facilities withdraws its transmission facilities (“Withdrawing Entity”) from the operational control of the Transmission Provider, the Withdrawing Entity shall pay its share of all Schedule 17-related financial obligations incurred and payments applicable to time periods prior to the effective date of such withdrawal (the “Schedule 17 Withdrawal Obligation”) as required by Article Five, Section II(B) of the ISO Agreement. The Withdrawing Entity’s total responsibility for the Schedule 17 Withdrawal Obligation shall be based on the outcome of a negotiated or contested settlement accepted by the Commission.

D. Credit for Schedule 17 Withdrawal Obligations

In determining the costs to be recovered under Schedule 17 a monthly credit shall be applied to the total monthly costs to be recovered to reflect Schedule 17 Withdrawal Obligation payments received from Withdrawing Entities. The effective date for the monthly credit under this Schedule 17 Section II.D shall be March 1, 2007. The termination date shall be August 31, 2014. The monthly amount of the credit shall be the unamortized balance of the Withdrawal Obligation under Schedule 17-A as of February 28, 2007, divided by the number of months remaining before Schedule 17-A expires. The variable EMS-CREDIT in the rate formula in Part III will be net of any payments made once per year to E.ON U.S. or its successor(s) as compensation for its share of the actual revenue derived from certain transactions excluded from the computation of the Withdrawal Obligation in Docket No. ER06-1308, *et al.* Such compensation is described more fully in the Recalculation Agreement as accepted by FERC in Docket Nos. ER06-1308 and ER08-___-000.

In the event the rate calculation for a month results in a value less than zero, the rate shall be set to zero for that month.

IV. CHARGES FOR MARKET PARTICIPANTS

For each month, the charges to LGE/KU for the Service will be calculated by multiplying the LGE/KU Energy Market Support Administrative Service Cost Recovery Adder effective in that month, as determined under the above rate formula, by LGE/KU's billing units for that month, expressed in MWh, as discussed in Section II.A above.

V. ANNUAL TRUE-UP PROVISION

Pursuant to the Recalculation Agreement as accepted by FERC in Docket Nos. ER06-1308 and ER08-__-000, E.ON U.S. or its successor(s) shall be entitled to an annual payment for its share of revenue derived by the Transmission Provider from certain transactions subject to payment of Schedule 17 that were excluded from the computation of the Withdrawal Obligation in Docket No. in Docket No. ER06-1308, *et al.*